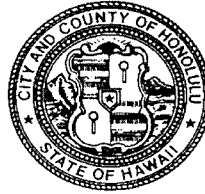


DEPARTMENT OF HUMAN RESOURCES
CITY AND COUNTY OF HONOLULU

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KIRK CALDWELL
MAYOR



NOEL T. ONO
ACTING DIRECTOR

January 8, 2013

The Honorable Ernest Y. Martin, Chair
and Members
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

RECEIVED
CITY CLERK
C & C OF HONOLULU
2013 JAN -9 AM 8:30

Dear Chair Martin and Councilmembers:

Subject: Resolution 12-319 – Relating to the 2013 Hawaii State Association of
Counties Legislative Package

The Department of Human Resources has long supported legislation to provide County representation on both the Hawaii Employer-Union Health Benefits Trust Fund ("EUTF") and Employees' Retirement System ("ERS") Board of Trustees and we will continue to support bills which propose these changes.

However, the Hawaii State Association of Counties bill which proposes a County representative on the ERS Board of Trustees also includes a provision that requires the Counties to assume responsibility for all necessary expenses incurred in the performance of the duties of the member appointed by the counties. We have previously expressed concerns about this provision for several reasons. First, we advised the Legislature that this provision appeared unfair since we could not find any similar provisions requiring any other trustee or any third party to pay for the expenses of a trustee.

We were also concerned about this provision because it is unclear what expenses are to be included. The bill specifically includes travel, board and lodging, but further includes "any other costs." It is not clear to us whether those costs would include such items as paper and copying, postage or, of perhaps greater concerns, legal costs associated with any lawsuits against the trustees that may arise.

If the Council is inclined to support the assumption of the costs, it may wish to consider the following:

- How will the costs be split between the Counties?
 - Will the Counties share equally in the cost? Will it be prorated based on population or number of employees? Or if the trustee is an employee of a particular county, will that county assume all the costs?
 - If the costs are for items such as travel and lodging, the split may not be difficult to resolve. However, if the costs include the unpredictable and potentially significant costs related to litigation and liability, then disagreements may arise as to how the costs are split.
 - We note that if the Board were sued, it may desire representation by an outside legal firm, which would come at a substantial cost.
- What assurance is there that if the Legislature adds more trustees in the future that these new trustees will also be required to "pay their own way" or is it expected that this will remain exclusive to the counties?

Finally, we note that it is our strong belief that a County trustee would provide substantial value to the Board and bring important insight to its discussions and deliberations. That being the case, we see no reason why our trustee should be treated in a different manner.

In light of our objections and concerns, we ask that you consider deleting the provision requiring the Counties be responsible for the costs and expenses of their ERS trustee representative.

Thank you for the opportunity to testify on this matter.

Yours truly,



Noel T. Ono
Acting Director

APPROVED:



Ember Lee Shinn
Managing Director Designate